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SUBJ: JAPANESE PROPOSAL FOR OECD STUDY PROJECT ON INDUSTRIAL STRUCTURE

REF: USOECD 23965, 23970, OCT. 10, 1974

SUMMARY: MITI (TANABE, DEPUTY DIRECTOR, INDUSTRIAL STRUCTURE DIVISION) HAS INFORMED EMBASSY GOJ INTENDS TO FLOAT PROPOSAL AT OECD INDUSTRIAL COMMITTEE MEETING MAR. 12-14 FOR BROAD STUDY OF WORLD INDUSTRIAL STRUCTURE AND HOPES FOR U.S. SUPPORT IN COMMITTEE. MITI FURNISHED EMBASSY WITH DRAFT OF PROPOSAL, WHICH EMBOFF DISCUSSED WITH TANABE. END SUMMARY.

1. DRAFT PROPOSAL. OIL CRISIS HAS CAUSED SUBSTANTIAL AND CONTINUING DAMAGE TO NATIONAL ECONOMIES; B/P DEFICITS, INFLATION, AND DEEPENING RECESSION PERSIST. SOLUTION TO THESE PROBLEMS CALLS FOR COMPARISON OF NATIONAL SITUATIONS AND OUTLOOKS WHICH SHOULD BE UNDERTAKEN BY OECD INDUSTRIAL COMMITTEE. MEMBER COUNTRIES FACE MATERIAL RESOURCES CONSTRAINTS, ENVIRONMENTAL PROBLEMS, AND PROBLEMS OF DOMESTIC ADJUSTMENT TO INDUSTRIALIZATION IN DEVELOPING COUNTRIES; THEY MUST POOL THEIR DATA AND THINKING ON ECONOMIC POLICY, PROSPECTS AND COOPERATION. THIS WORK

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SHOULD COVER FOLLOWING THREE CATEGORIES:

- MEDIUM TERM ECONOMIC AND INDUSTRIAL PROSPECTS
- LONG TERM PROSPECTS FOR INDUSTRIAL STRUCTURE
- WORLD INDUSTRY AND TRADE MODEL.

2. I. MEDIUM TERM ECONOMIC AND INDUSTRIAL PROSPECTS:
COMMITTEE SHOULD REVIEW IMPACT OF OIL CRISIS ON NATIONAL ECONOMIES, STEPS TAKEN TO COPE WITH SITUATION, AND INDIVIDUAL UNRESOLVED PROBLEMS. COMMITTEE CAN THEN FORMULATE APPROACH TO THESE PROBLEMS WHICH WILL ENABLE COUNTRIES TO DETERMINE WHETHER THEY CAN OVERCOME THEIR OWN DIFFICULTIES WITHOUT POSING PROBLEMS FOR OTHERS. FOLLOWING WOULD BE PROJECTED BY ALL COUNTRIES FOR THE PERIOD 1975-1978:

- A. GNP GROWTH RATES
- B. INDUSTRIAL SHIPMENT TRENDS
- C. EMPLOYMENT AND WAGES
- D. B/P PROSPECTS
- E. PRICE (INFLATION) TRENDS
- F. ENERGY CONSUMPTION AND OIL IMPORTS
- G. BASIC POLICY OUTLOOK
- H. POLICY MEASURES TO RESTORE EQUILIBRIUM
- I. VIEWS ON INTERNATIONAL COOPERATION

3. WORK METHOD: OECD WOULD ESTABLISH WORKING PARTY OF MEMBER VOLUNTEERS TO ASSEMBLE PAPERS SUBMITTED BY MEMBER COUNTRIES BY SEPT. OR OCT. AND REPORT TO INDUSTRY COMMITTEE BEFORE END OF 1975.

4. II. LONG RANGE PROSPECTS FOR INDUSTRIAL STRUCTURE:
CHANGES IN WORLD ECONOMIC STRUCTURE WILL BE CALLED FOR, INTER ALIA, BY RESOURCE, ENERGY AND ENVIRONMENTAL CONSTRAINTS AND BY ADJUSTMENTS IN INTERNATIONAL DIVISION OF LABOR BETWEEN OECD MEMBERS AND DEVELOPING/RESOURCE HOLDING COUNTRIES, WHICH CHANGES WILL NEED TO BE TAKEN INTO ACCOUNT BY MEMBERS' LONG RANGE GROWTH POLICIES. FOLLOWING SUBJECTS WOULD BE COVERED:

- A. PROJECTION OF INDUSTRIAL STRUCTURE IN 1980; IN 1985
- B. ASSUMPTIONS UNDERLYING PROJECTIONS
- C. EXAMPLES OF INDUSTRIES EXPECTED TO PROGRESS AND LIMITED OFFICIAL USE

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- INDUSTRIES REQUIRING ADJUSTMENT
- D. VIEWS ON INDUSTRIAL ADJUSTMENT POLICIES
- E. STUDY OF FOREGOING WOULD BE BASED ON FOLLOWING DATA:
 - GNP GROWTH RATE
 - INDUSTRIAL STRUCTURE BY OUTPUT VALUE AND EMPLOYMENT, CLASSIFIED INTO PRIMARY, SECONDARY AND TERTIARY INDUSTRIES AND BROKEN DOWN INTO ABOUT 20 CLASSIFICATIONS.

--TRADE STRUCTURE WITH MANUFACTURED GOODS
LISTED BY SITC 1-DIGIT CATEGORIES
--OVERSEAS INVESTMENT BY INDUSTRIAL CATEGORIES
--ENERGY SUPPLY AND DEMAND INCLUDING TYPE, OIL
IMPORTS, ELASTICITY OF ENERGY CONSUMPTION TO GNP, ENERGY
CONSUMPTION BY SECTOR AND EXTENT OF ENERGY CONSERVATION.

5. WORK METHOD: EACH COUNTRY WOULD COMPILE ITS
OWN RELEVANT DATA AND SUBMIT IT TO WORKING PARTY WHICH
WOULD REPORT TO INDUSTRY COMMITTEE NEXT YEAR. DATA
FROM AUTHORITATIVE PRIVATE SOURCES COULD BE USED IN
CASES WHERE PROJECTIONS NOT AVAILABLE FROM GOVERNMENTS
OR GOVERNMENT AGENCIES.

6. III. WORLD INDUSTRY AND TRADE MODEL: AIM OF THIS PROJECT
WOULD BE TO EXAMINE, E.G., WORLD GROWTH POTENTIAL,
RESOURCE AVAILABILITY AND POSSIBLE DIVISION OF LABOR
WITH LDC'S, BY CONSTRUCTING MODEL OF GLOBAL SUPPLY AND
DEMAND FOR RESOURCES AND MAJOR INDUSTRIAL PRODUCTS.
THIS PROJECT DIFFERS FROM PREVIOUS (PARA 4) IN THAT IT
WOULD BE ON GLOBAL RATHER THAN INDIVIDUAL COUNTRY BASIS,
VIEWING WORLD AS INTEGRAL ECONOMY AND EXAMINING DIRECTION
OF ITS DEVELOPMENT. SUBJECTS TO BE EXAMINED SHOULD INCLUDE:

A. DEPOSITS AND PRODUCTION OF RESOURCES AND ENERGY
B. SUPPLY AND DEMAND OF MAJOR COMMODITIES
C. REGIONAL AND INTER-REGIONAL TRADE PATTERS
D. CHANGES IN RELATIVE IMPORTANCE BY AREA OF
PRIMARY, SECONDARY, TERTIARY AND MAJOR MANU-
FACTURING INDUSTRIES
E. PROBLEMS IN REGIONAL AND INTER-REGIONAL ASSISTANCE
AND INVESTMENTS
F. INDUSTRIAL ADJUSTMENT PROBLEMS
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7. WORK METHOD: IN BUILDING MODEL WORLD WOULD BE
DIVIDED INTO: NORTH AMERICA, SOUTH AMERICA, OCEANIA,
NORTH ASIA, SOUTHEAST ASIA, MIDDLE EAST, AFRICA, EAST
EUROPE, AND WEST EUROPE. THE COMMITTEE WOULD ESTABLISH
A WORKING PARTY OF ABOUT NINE MEMBERS WHICH WOULD CON-
TRACT OUT AND SUPERVISE RESEARCH ON VARIOUS ELEMENTS
OF THE PROJECT, ANALYZE RESULTS AND REPORT TO INDUSTRIAL
COMMITTEE. PROJECT WOULD TAKE 2-3 YEARS.

8. DISCUSSION. EMBOFF REFERRED TO PROPOSAL PUT FORWARD
IN OCTOBER, 1974 BY JAPAN OECD DEL AS REPORTED REFTELS
FOR MAJOR INTERNATIONAL STUDY OF LONG-RANGE POLICY
OPTIONS OF THE ADVANCED INDUSTRIAL NATIONS AND ASKED
WHETHER AND HOW PRESENT PROPOSAL IS RELATED THERETO.

TANABE SAID MITI SEES THIS PROPOSAL AS MORE SPECIFIC STEP-BY-STEP APPROACH IN SAME DIRECTION AS PREVIOUS PROPOSAL AND HOPED IT WOULD BE HELPFUL IN GETTING WORK STARTED ALONG THESE LINES. EMBOFF THEN MADE TWO OBSERVATIONS RE PROPOSAL ON PERSONAL BASIS: (A) SCOPE OF PROPOSAL APPEARS TO TRANSCEND JURISDICTION OF INDUSTRIAL COMMITTEE; MUCH OF IT FALLS INTO AREAS OF TRADE COMMITTEE AND ECONOMIC POLICY COMMITTEE AS WELL AS OF IEA. (B) PROPOSAL CALLS FOR DEGREE OF INDICATIVE PLANNING WHICH SEVERAL OECD MEMBER GOVERNMENTS, INCLUDING USG, MIGHT NOT BE IN POSITION TO CARRY OUT.

9. TANABE RESPONDED THAT GOJ WAS FLEXIBLE ON BOTH POINTS. (A) PROJECT SHOULD NOT BE IN EXCLUSIVE DOMAIN OF INDUSTRY COMMITTEE; THIS WOULD RESULT IN NARROW EXERCISE OF LIMITED USEFULNESS. PROJECT COULD BE JOINT ENDEAVOR OF COMMITTEES ON INDUSTRY, TRADE AND ECONOMIC POLICY, TOGETHER WITH IEA, OR COULD BE GIVEN TO SPECIAL AD HOC COMMITTEE. PROPOSAL GREW OUT OF MITI-SPONSERED STUDY OF JAPAN'S FUTURE INDUSTRIAL STRUCTURE, WHICH HAD ELICITED COMMENT FROM SOME OTHER GOVERNMENTS. GOJ HAD FOUND COMMENTS AND DISCUSSION USEFUL; PRESENT PROPOSAL WOULD INITIATE SIMILAR EXCHANGES IN MULTILATERAL CONTEXT. (B) MITI APPRECIATES THAT SOME MEMBER GOVERNMENTS MAY NOT BE IN POSITION TO MAKE INDICATIVE LIMITED OFFICIAL USE

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PROJECTIONS OF TYPE THIS PROJECT WOULD REQUIRE. IT RECOGNIZES THAT RELIANCE IN SUCH CASES WOULD BE ON DATA SUPPLIED FROM PRIVATE SOURCES. IT BELIEVES, HOWEVER, THAT PROJECT ALONG LINES OUTLINED ABOVE WOULD SERVE VERY USEFUL PURPOSE AND HOPES FOR U.S. SUPPORT IN COMMITTEE.

10. TANABE WILL ATTEND MAR. 12-14 MEETING AS MEMBER OF GOJ DEL. HODGSON

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